

Message Text

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PAGE 01 PARIS 08977 302109 Z

14

ACTION INR-10

INFO OCT-01 EUR-25 EA-11 ADP-00 EB-11 CIAE-00 NSAE-00

RSC-01 TRSE-00 COME-00 L-03 SS-14 NSC-10 STR-08

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R 301640 Z MAR 73
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 8801
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS

C O N F I D E N T I A L PARIS 8977

E. O. 11652 GDS
TAGS: EFIN, FR
SUBJ: CURRENT INTERNATIONAL FINANCIAL SITUATION (C- ER-3-57293)

PARIS ALSO FOR USOECD

REF: STATE 54202

1. INCONVERSATION TODAY, DE LATTRE, DEPUTY GOVERNOR OF BANK OF FRANCE (WHO HAS JUST TAKEN OVER RESPONSIBILITY FOR BANK' S EXTERNAL OPERATIONS), COMMENTED TO US BRIEFLY RE FRENCH VIEWS OF JOINT EUROPEAN FLOAT. FRENCH ARE PLEASED THAT RATES HAVE SO FAR BEEN RELATIVELY STABLE, BOTH WITHIN " SNAKE" AND AS REGARDS RELATIONSHIP BETWEEN " SNAKE" AND THIRD CURRENCIES. THEY ARE, OF COURSE, NOT SURPRISED THAT IN THIS INITIAL PHASE, DEUTSCHEMARK SHOULD HAVE FALLEN TO LOWER LEVEL OF EC SPREAD AND SWDISH KRONER SHOULD HAVE RISEN TO UPPER LEVEL, GIVEN PRIOR REVALUATION OF FORMER AND DEVALUATION OF LATTER VIS- A- VIS OTHER JOINT- FLOAT CURRENCIES. THEY THINK THAT SOMEWHAT UNSETTLED FRENCH SOCIAL CLIMATE-- CURRENT AND POSSIBLE FUTURE STRIKES AS WELL AS STUDENT UNREST -- WILL TEND TO KEEP RECENT STRNGTH OF FRENCH FRANC FROM GROWING TO UNMANAGEABLE PROPORTIONS. BEYOND OBSERVATIONS RE NEAR- TERM PROSPECTS,
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PAGE 02 PARIS 08977 302109 Z

DE LATTRE WAS UNWILLING TO VENTURE ANY PREDICTIONS ON VIABILITY OF JOINT FLOAT OR HOW CONSTELLATION OF PARTICIPATING CURRENCIES MIGHT EVOLVE OVER TIME.

2. ONE INTERESTING POINT DID EMERGE RE SETTLEMENT OF SMALL DEBIT BALANCE THAT GERMANY HAS INCURRED IN RECENT SUPPORT OF DEUTSCHEMARK VIS- A- VIS FRENCH FRANC. INSTEAD OF TAKING GERMAN RESERVE- MIX SETTLEMENT AT END OF APRIL, FRENCH WILL EXERCISE OPTION TO GO ON HOLDING CURRENCY OF DEBTOR-- I. E., DEUTSCHEMARKS-- IN FORM OF INTEREST-BEARING NOTE. DE LATTRE SAID THIS OPTION HAD BEEN INCLUDED IN AGREEMENT ON ITRA- EC SETTLEMENTS, THANKS TO EFFORTS OF FRENCH NEGOTIATOR THERON.
IRWIN

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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TAGS: EFIN, FR
To: BONN
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SECSTATE WASHDC

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